

CHAPTER 2. CAUSES AND PREVENTION OF VIOLATIONS

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CHAPTER 2. CAUSES AND PREVENTION OF VIOLATIONS

2.1 OVERVIEW.

- 2.1.1 Many violations of the Antideficiency Act (ADA) or other administrative fund controls can be prevented. This chapter discusses the most common causes of violations, how to prevent them, and what types of recording errors are not considered violations.

2.2 POLICY.

- 2.2.1 NASA's policy is to correct procedural or other causes of ADA or other fund control violations and reduce the risk that a violation may occur in the future.

2.3 AUTHORITIES AND REFERENCES.

2.3.1 Legislation and Regulations.

A. 31 Title, United States Code (U.S.C.).

1. Sections 1341-1342, 1349-1351, 1514 (a), and 1517-1519. These sections set forth the requirements of the ADA and describe reporting requirements and adverse personnel actions to be taken if the ADA is violated.
2. Section 1301(a). This section requires that appropriations be used for their intended purposes.
3. Section 1502(a) (the “*bona fide* needs” statute). This section requires that appropriations made for a definite period of time be used only for expenses properly incurred or to complete contracts properly made and obligated during that time.
4. Section 3302(b) – Custodians of Money. This section requires an official or agent of the U.S. Government receiving money on behalf of the Government to deposit such funds in the Treasury without deduction any charges or claims, except as otherwise allowed by law.

B. OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, Part 4, “Instructions on Budget Execution.” Part 4 of this Circular provides guidance on budget execution, including fund control (e.g., appropriation, reappropriation, funds distribution, and ADA requirements) and reporting requirements in the event of an ADA violation.

2.3.2 NASA Policy and References.

- A. Financial Management Requirements, Volume 5, *Budget Execution*. This volume provides Agency guidance for controlling and executing funds throughout the Agency.

2.4 ROLES AND RESPONSIBILITIES.

- 2.4.1 Financial and Program Managers shall ensure that all staff members with resource management responsibilities have knowledge of the requirements and references set forth in this volume and that they have adequate supervision and training to ensure compliance.
- 2.4.2 All employees with financial management responsibilities shall ensure that they comply with this volume and the guidance set forth by their supervisor and that they seek additional guidance and support when unsure of the requirement or what action to take.

2.5 CAUSES OF VIOLATIONS.

- 2.5.1 The most common causes of fund control violations, whether legal, regulatory, or administrative are:
 - A. Not following established policy and procedures or internal controls.
 - B. Inadequate supervisory involvement or oversight.
 - C. A lack of training.

2.6 PREVENTING VIOLATIONS.

- 2.6.1 To help prevent ADA violations, NASA personnel should be knowledgeable of the requirements in this volume. Supervisors at all levels should provide their employees with the requisite training and experience in the control and use of funds at levels commensurate with their responsibilities. Furthermore, supervisors should perform oversight and validation checks to ensure that established internal controls are adequate and consistently followed by their employees. Supervisors shall use their internal management control programs to assess periodically, the reliability of internal control systems and employee internal management control accountability.
- 2.6.2 One of the most effective ways to prevent violations is to perform regular reviews of the status of funds reports. In this regard, commitments should not be added to obligations to determine whether a violation has occurred. However, if the amount of commitments and the amount of obligations (undelivered orders, accrued expenditures unpaid, and accrued expenditures paid) exceed the total availability of an allotment, allocation, or appropriation, a violation could occur if all or some of the commitments eventually become valid obligations.
- 2.6.3 Even the most common types of violations can be significantly decreased by proactive measures specifically tailored to address the causes and corrective actions required to prevent their occurrence. NASA employees and contractors with financial management responsibilities should be aware of these common types of violations and take positive actions to avoid their occurrence.

- 2.6.4 Violations can also be minimized or prevented through effective education and training of personnel and by ensuring that adequate internal controls and standing operating procedures are in place and being followed. This volume should be used to increase awareness of potential ADA violations among NASA employees and contractors supporting financial management functions.

2.7 NO VIOLATION – ERRONEOUS CHARGING OR RECORDING.

- 2.7.1 A list of legal limitations and restrictions on the use of Federal funds is provided in Chapter 1 of this volume. However, no violation of the ADA is considered to have occurred when an overobligation or overexpenditure is solely the result of not recording available documents or transactions that increase fund availability, recording an erroneous transaction, or erroneously recording a valid transaction. In each instance, the potential violation status is eliminated by correcting the erroneous transaction, or by posting the omitted transaction. However, such actions should not include the deletion or adjustment of any valid transactions. If after the proper recording of the transactions, an overobligation or overexpenditure remains, a potential violation of the ADA has occurred.
- 2.7.2 A violation of 31 U.S.C. § 1517 may exist when the amount of funds granted to other activities exceeds the amount of funds available under the applicable authorization of funds received. Sometimes errors occur when recording funds that are distributed or received that have the effect of showing more funds in the allotment, or other administrative subdivision of funds, than are actually available. When such errors occur and the funds are not obligated or expended, there generally is no actual violation. However, making or authorizing an expenditure or obligation of funds cannot occur prior to the availability of funds. A correction made by obtaining additional funds does not eliminate any ADA or administrative violation that may have occurred prior to additional funds being received.
- 2.7.3 An erroneous recording is the recording of an authorization of funds, obligation, commitment, or expenditure in an incorrect fund or account; or the posting of an amount other than the correct amount for the transaction. An erroneous recording may occur by citing the wrong fund, appropriation, subhead, budget project, or allotment on an obligation and/or expenditure document. Examples may also include the recording of duplicate payments or overpayments and/or related obligations. An omission is the failure to post a properly executed authorization of funds (either received or granted), a purchase request, commitment, an obligation, or expenditure, when the document/transaction is available for recording.
- 2.7.4 Once incurred, failure to record valid obligations or expenditures in the official accounting records will not preclude or avoid a potential violation. All obligations or expenditures shall be recorded accurately and promptly even if the recording results in a negative amount in the accounting records.

- 2.7.5 A violation does not exist after an error in the records has been corrected if neither authorizations, obligations nor expenditures exceeded the amount of available funds for the period of time from the initial transaction through the time of correction.
- 2.7.6 A failure to record a valid obligation or expenditure as of the date incurred does not avoid the occurrence of a violation of the ADA if the recording results in the account balance or other limitation being exceeded. A potential violation must be reported if this occurs. Obtaining additional funds to cover the violation is required. However, obtaining the additional funds does not eliminate the fact that a violation occurred.
- 2.8 TRAINING.
- 2.8.1 Financial and Program Managers. The Office of the Chief Financial Officer (OCFO) and Center CFOs shall provide appropriate training for its financial managers. The focus of this training shall be Appropriations Law, and it shall include the requirements of fund control, the ADA, and related law; regulatory requirements; and Agency policy, as well as the process and requirements if a violation occurs. This training shall be provided to CFO personnel as soon after employment as practical and shall also be offered to program managers. Refresher training in the basic provisions shall be provided annually to all CFO personnel and offered to other personnel.
- 2.8.2 Non-Managerial Financial Management Personnel. OCFO and Center CFOs shall provide appropriate training to their staff, as determined by their responsibilities, as soon after employment as practical and shall provide refresher training as needed.